MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

PAT0075 – COST AND MANAGEMENT ACCOUNTING

(Foundation in Management)

3 MARCH 2017
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **FOUR** printed pages excluding cover page with **FOUR** questions only.
2. Answer **ALL** questions.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Ikhlas Murni Sdn. Bhd. (IMSB) has identified four categories of manufacturing overhead costs and cost drivers for the year 2016.

Activity	Estimated Costs (RM)	Cost Drivers	Estimated Usage
Setup	240,000	Number of setups	3,000
Ordering	90,000	Number of orders	15,000
Maintenance	64,000	Machine hours	16,000
Power	300,000	Kilowatt hours	120,000

IMSB produces two products, OEM and VCO. The production data for the two products are as follows:

	OEM	VCO
Direct materials (RM)	12,000	14,000
Direct labour (RM)	18,400	37,520
Number of setups	800	500
Number of orders	915	465
Machine hours	460	380
Kilowatt hours	200	150

REQUIRED:

a) Calculate the activity cost driver rates for each activity.

(8 marks)

b) Calculate total cost per unit for both products.

(12 marks)

c) Explain the circumstances when ABC is preferable compared to traditional costing system in terms of:
   i. cost allocation
   ii. overhead cost drivers
   iii. accuracy
   iv. product complexity
   v. proportion of direct labour cost

(5 marks)

[TOTAL 25 MARKS]

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QUESTION 2

Discrete Optimisation Sdn. Bhd. (DOSB) is a company produces equipment JK3. In January 2015, DOSB produced 40 units of equipment JK3. The closing inventory in January 2015 was 10 units. The price for an equipment is RM50,000. DOSB had 5 units of closing inventory in December 2014. Estimated and actual overhead costs are the same.

The following cost information pertaining to DOSB for January 2015 as follows:

Direct materials per unit	RM13,625
Direct labour per unit	RM8,400
Variable costs: Manufacturing overhead Non-manufacturing cost	 RM127,000 RM25,500
Fixed costs: Manufacturing overhead Non-manufacturing cost	 RM128,000 RM34,000

REQUIRED:

a) Calculate the unit product cost under absorption and marginal costing.

(7 marks)

b) Prepare separate Income Statements for the month ended January 2015 by using:
   i. marginal costing (showing the contribution margin and net income)
   ii. absorption costing (showing the gross profit and net income)

(17 marks)

c) In the situation above, state the impact on net income for both costing systems.

(1 marks)

[TOTAL 25 MARKS]

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QUESTION 3

Part A

Semarak Sdn. Bhd. (SSB) is considering to purchase new equipment to improve the production process which cost RM900,000 at the beginning of the project. The new equipment will help to generate annual net cash inflows as follows:

Year	Cash Inflows (RM)	Present value of RM1 at 13%
1	450,000	0.885
2	340,000	0.783
3	230,000	0.693
4	120,000	0.613
5	80,000	0.543

It was estimated that the new equipment will remain useful for 5 years and the management have decided that any projects which take more than 3 years to pay back will be rejected.

REQUIRED:

a) Calculate the net present value of the equipment using the 13% discount rate given above, stating whether it is positive or negative.
(7 marks)

b) Compute the payback period (in years) for the equipment.
(Round your answer to one decimal place)
(3 marks)

c) Based on (a) and (b), should SSB invest in the new equipment? Justify your answer.
(3 marks)

Part B

Cemara Sdn. Bhd. (CSB) manufactures classic furniture and the plant is running at 90% of its monthly capacity. The full production capacity is 3,000 units of classic furniture. CSB has just received a special order from Poplar Sdn. Bhd. (PSB) to produce 300 units of classic furniture for a national exhibition. PSB has offered to pay only RM8,500 per unit. The normal market price of the classic furniture sold by CSB is RM10,000 per unit. Cost at the current production level are as follows:

Direct materials	RM800,000
Direct labour	RM540,000
Variable Manufacturing Overhead	RM260,000
Fixed Manufacturing Overhead	RM630,000

REQUIRED:

Should CSB accept the special order which is below market price? Justify your answer.
(12 marks)

[TOTAL 25 MARKS]

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QUESTION 4

Zidjan Manufacturing Sdn. Bhd. (ZMSB) produces industrial glue in drums. The following information are available for ZMSB for the year 2016.

	31 May	30 June	31 July	31 Aug
Budgeted monthly sales (units)	37,400	37,940	38,840	39,670
Desired inventories of finished goods (units)	18,000	18,780	19,130	19,570
Desired inventories of direct materials (units)	15,000	15,120	16,465	16,920

The quantities of direct materials expected to use is 1 unit for each. Purchase price of direct materials is RM2.50 per unit.

REQUIRED:

a) Prepare the production budget followed by the direct materials purchase budget for the months of June, July, and August 2016.

(20 marks)

b) Discuss the behavioral aspects of budgeting.

(5 marks)

[TOTAL 25 MARKS]

End of Paper